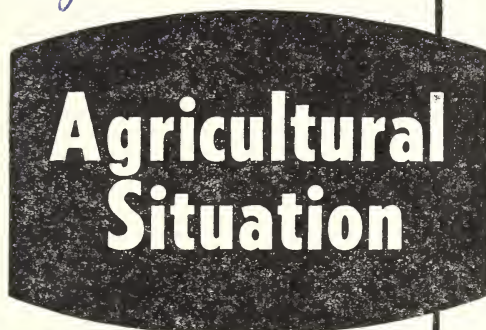


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CURRENT SERIAL REPORTS

OUTLOOK 1966

November 1965

A letter to farmers:

Farmers generally have had a relatively good year. And from the way things are shaping up, 1966 should turn out even better.

One indicator of overall prosperity for farmers is realized net farm income—income above production expenses. For 1965, it is estimated at \$14 billion, the highest since 1952. An additional fourth to a half billion dollars may be realized next year.

Two other measures—realized net income per farm, and per capita disposable income of the farm population—will rise further in 1966. During the past 5 years, they went up 40 percent and 35 percent, while per capita nonfarm income rose 20 percent. Thus, as a group you have been gaining on city people, although there is still a gap.

Most of the rise in net farm income during 1965 has come from sharp advances in livestock prices and cash receipts. Meat animal prices have averaged 17 percent above 1964; poultry prices have risen about 5 percent. Among the crops, prices for 1964-crop soybeans and feed grains were well above prior levels through most of 1965. And earlier this year, prices for potatoes and early spring vegetables rose sharply because of smaller supplies.

Reflecting these gains, cash receipts from marketings through October were up more than 5 percent from 1964. Including Government payments, total cash receipts have been above 1964 for all major commodities except citrus and tobacco.

Some of the forces and conditions that have helped many of you get higher prices and incomes in 1965 will be in effect next year, too. (1) For livestock, the production and price outlook is favorable. (2) The new Food and Agriculture Act of 1965 will mean some gains in crop income. (3) Domestic demand and exports are likely to keep expanding.

The supply of feeder cattle in early 1966 will total about the same as a year earlier: More steers, fewer heifers. With more feed and fairly good feeding margins, greater fed beef production is expected. But smaller output of nonfed beef may partly offset. Prices to producers will probably stay strong in 1966 and may average slightly above 1965.

Hog slaughter will remain below year-earlier levels well into 1966. The number of hogs and pigs on farms in the 10 Corn Belt States in September 1965 was 12 percent below a year ago; the number of sows farrowing in June-November is also down, probably 8 percent. As a result, hog farmers can expect good prices through most of 1966. However, if there's a sharp rise in late spring and fall farrowings—say, by 10 percent or more—this could mean much lower prices in late 1966 and in 1967.

Although poultry prices are expected to average lower in 1966, cash receipts are likely to rise again. The current buildup in broiler hatchery supply flocks and lower feed prices point to a large production expansion in 1966. Output is likely to be some 10 percent or so above early 1965. This will probably force prices downward, particularly late in the year when supplies of red meats begin to rise.

This has truly been a bountiful crop year, and especially so when compared with the drought-depressed harvests in 1964. With little or no change in acreage, crop output is around 7 percent above 1964, and 4½ percent above the previous high in 1963.

Among the major harvests, only sugar crops and tobacco are reduced this year. Feed grain production is up around 16 percent, soybeans 22 percent, fall potatoes 25 percent, wheat 5 percent, and hay 6 percent. Another big cotton crop also is in prospect.

As the larger 1965 crops began moving to market, prices declined for several major products. Soybean prices slipped 8 percent, cotton 4 percent, and corn about 6 percent from November 1964. Prices for potatoes averaged around a third lower, while those for oranges were less than half the relatively high November 1964 level. Prices for the year are likely to average a little below 1964.

Crop prices may continue lower in 1966 and cash receipts from crop marketings are expected to run somewhat under 1965 levels. But, with increased payments to producers cooperating in major farm programs, total returns from crops are expected to turn out higher than this year.

On the national scene, the Gross National Product reached an estimated annual rate of \$678 billion during the third quarter of 1965. This rate is more than 6½ percent above the same quarter of 1964. Prospects for 1966 indicate a continued rise, along with advances in employment and in consumer incomes. These gains, in turn, will be sparked largely by an increase in private investment in new plants and equipment, stepped-up Government buying, and further expansion of consumer spending.

However, most of the additional money consumers will spend during 1966 will go for cars and other durable goods. The gain in food expenditures isn't likely to be as large as the 6 percent rise in 1965. The percentage of income spent for food will probably decline again in 1966. Retail food prices may rise further, but not as much as in 1965.

Sincerely yours,

Rex F. Daly
James P. Cavin
Economic Research Service

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OUTLOOK

PRODUCT PROSPECTS

COTTON:

Production this year is expected to total nearly 15.1 million bales, almost the same as the 1964 crop. This is well above estimated disappearance of 13.3 million bales, up slightly from 1964-65. The carryover next August 1 is expected to total a record-high 16.2 million bales.

WHEAT:

The supply for the 1965-66 marketing year is estimated at 2,175 million bushels, based on the October crop report. Total use is expected to exceed production for the fifth consecutive year. As a result, carryover stocks next June 30 may decline at least 70 million from the 819-million-bushel beginning carryover.

FEED:

A record tonnage of feed grains was produced this year. The big crops more than offset the smaller carryover from 1964-65, raising the feed grain supply about 4 percent. The larger supply, plus a prospective gain in the supply of high-protein feeds, is expected to result in lower prices for all feeds in 1965-66.

VEGETABLES AND POTATOES:

Supplies of canned vegetables are about the same as last season, but those of frozen vegetables are larger. Potatoes for marketing into late winter are record large, and output of sweetpotatoes is up substantially. Prices for both will average sharply below 1965. Mainly because of a small crop, dry bean supplies are tight. Prices to growers likely will average well above last season, and may be the highest in many years. Production of dry peas also is down from last year, but due to a big carryover, supplies are ample. Prices probably will average above a year ago.

DAIRY:

Prospects for 1966 look a little better on all fronts—slightly larger marketings, some gain in commercial demand, surplus held at the 1965 level, prices rising slightly, and costs rising less than farm income from milk and cream sales.

POULTRY AND EGGS:

Larger broiler and turkey production; possibility of lower average prices to producers. Egg output is likely to rise only a little from the 1965 level. Prices early in the year probably will be above the depressed level a year earlier, but may be about the same as 1965 for the year as a whole.

TOBACCO:

Supplies of most kinds of leaf for 1965-66 continue large in relation to requirements. The supply of flue-cured leaf is slightly below the record 1964-65 level; that of burley is at a record or near-record level. The acreage-poundage program for flue-cured will be in effect again in 1966; price supports will probably be about 2 percent above 1965. Those for the 1965 crop are about 1 percent higher than in 1964.

LIVESTOCK AND MEAT:

Prices of cattle, hogs, and lambs are likely to average higher in 1966 than in 1965, more than offsetting a possible slight decline in marketings. The January 1 cattle inventory will be down moderately, following 7 straight years of buildup. The January 1 sheep and lamb inventory is expected to total about the same or slightly below a year earlier, in effect ending 5 years of reduction.

OUTLOOK

FARM COSTS

The costs of farming continued to creep upward in 1965, after declining slightly in 1964. When the bills are all in, they probably total \$30 billion, or 3 percent higher than in 1964.

The increase is due mainly to higher prices for goods and services used in farming, particularly feeder livestock, and another gain in overhead costs (interest, taxes, and the like). Expenses for commodities and services of nonfarm origin are almost 3 percent above 1964, while outlays for farm-produced items—feed, seed, and livestock—are up close to 5 percent. One consolation is that cash receipts from farming are also larger and will more than offset the gain in costs.

During 1966, farm production expenses are more than likely to rise again. But the increase isn't likely to be as much as this year's. The amount spent on several important items in the farmer's budget will be larger, particularly for fertilizer and pesticides. A gain also is likely in the costs of depreciation, taxes, interest, and insurance.

Here are some of the highlights of the farm cost situation and outlook:

Farm Labor. The hourly equivalent of all cash farm wages is expected to average 95 cents in 1965, up 5 percent from 1964. Higher rates are anticipated in 1966, too, but the gain isn't expected to be as much.

Farm Power and Machinery. Since 1960 the retail price of farm machinery and motor vehicles has increased about 2 percent annually. The upward trend continued in 1965 and is likely in 1966.

Service Buildings. Costs of constructing and repairing farm buildings have been declining somewhat since 1952 and are likely to slip again in 1965. However, in 1966 they may rise as a result of higher farm income this year.

Fertilizer. Farm use of the principal plant nutrients in fertilizer rose 9 percent during 1964 (latest figures available) over 1963. A similar gain is estimated for 1965. Nitrogen continues to show the greatest gain—a 12 percent

increase during 1964. Prices paid per pound of nitrogen, down 30 percent from 10 years ago, are expected to decline further.

Pesticides. Agricultural use of pesticides in 1965 was generally above 1964. The greatest rate of increase was in the use of herbicides.

Feed. The feed concentrate supply for 1965-66 (Oct.-Sept.) is estimated at about 250 million tons, up 10 million from a year earlier. This includes about 217 million tons of feed grains, up 5 percent. However, the number of grain-consuming animal units is about the same, so the supply of concentrates per animal unit is about 4 percent larger. Prices for feed grains may average a little lower than during the 1964-65 season.

Seed. Prices paid by farmers for seed in September 1965 averaged 6 percent higher than a year earlier, generally due to smaller supplies.

Feeder and Replacement Livestock. Prices for feeders and herd replacements in mid-October 1965 averaged about 14 percent higher than a year earlier but were lower than they had been 4 or 5 months before. Prices for feeders are more than 25 percent above December 1964. They are likely to remain firm for several months, but prospective returns from feeding cattle bought at the present level appear to be worth the risk.

Taxes. Levies on farm real estate in 1964 (latest figures available) totaled about \$1.5 billion, up 5.3 percent from 1963.

Taxes on farm personal property in 1964 were down some 3 percent from a year earlier, due mainly to lower cattle values. Further increases in both kinds of taxes can be expected in 1966.

Interest. Farmers have again used substantial amounts of credit in 1965. Total debt is expected to be 10 percent higher at the end of the year, compared with 1964. Interest charges in 1965 are estimated at \$2.2 billion—about 10 percent more than in 1964. These charges probably will increase again in 1966.

RECREATION FOR SOUTH 40?

Give Heed to Other's Experiences

Would a recreation enterprise on your farm or ranch be profitable? If you're considering the addition of such a business, there are a lot of things you'll need to know—and past experience for other farm families is a starter.

A recent survey of 254 such businesses—such as fishing lakes, vacation farms, hunting areas, camps, and the like—reveals several important facts:

—Cash incomes exceeded cash expenses for 86 percent of the enterprise analyzed.

—Sixty percent showed a return to operator, family labor, and management after 5 percent of the gross income was returned to the capital investment. (Returns ranged from \$700 to \$12,200; capital investment from \$750 to \$247,000.)

—Most of the businesses returned less than \$10 per day to operator and family labor.

From these facts, it's obvious that most of the recreational enterprises weren't making their owners rich overnight.

The information about existing businesses also indicates that there are three major causes for small returns—smallness of the enterprise, limited use in relation to the capacity in peak season, and use for short reasons or only for weekends.

Successful operations were attributed to:

—Location on or near a paved road or a public recreation area.

—Advertising.

—Well-trained employees.

—A variety of things to do to interest an entire family.

—Well-developed community enterprises to encourage a longer season.

—An attractive facility and location.

—Good service and catering to the individual wishes of customers.

Ronald Bird

Buis T. Inman

Economic Research Service

Family Farms . . . They're Stronger

A rapid decline in farm numbers and an increasing volume of farm production. To some people these changes indicate a concentration into an ever smaller number of large farming organizations. But making such judgments is like counting money by the number of coins and bills without considering their value.

There are three items of evidence to be presented in this case. First, the very small operations account for most of the decline in farm numbers. Second, farm production, land, and other resources are concentrating not in a small number of large organizations, but in a rapidly expanding number of operations that are mostly medium size. And finally, farm numbers and production are rising faster in the adequate-family-farm group than in the larger-than-family group.

Here are some of the facts:

There were 1.2 million fewer farms in 1959 than in 1949. An estimated 600,000 dropped out from 1959 to 1964. But most that left were the small operations with less than \$2,500 in sales (1959 prices).

Farm numbers in the \$2,500 to \$9,999 sales group declined, too, but at a much slower rate. And the drop was almost offset by the gain in number of farms with \$10,000 or more in sales. So, the number of farms over \$2,500 in sales changed little in the 1950's.

The adequate family farms generally market at least \$10,000 worth of products each year. And their share of total farm production is rising—from 50 percent in 1949 to 71 percent in 1959 to 81 percent in 1964. Also, the number in the over \$10,000 sales group was 67 percent larger in 1959 than in 1949. And the adequate family farms are increasing their share of farmland, machinery, and livestock.

OUTLOOK

AGRICULTURAL EXPORTS

You may not get in on any trips before next summer, but there's a good chance some of the things your farm produced this fall will make some long ones. In fact, they may go to many parts of the world.

Exports of U.S. farm products are still rising—and it appears they'll be worth \$6.2 billion in fiscal 1965-66 (July 1-June 30). That's up from \$6.1 billion in 1964-65.

The gain in the volume shipped this year will be even larger than the value. Prices for many commodities are lower. Commercial sales for dollars will probably total \$4.6 billion, compared with \$4.4 billion in 1964-65, while Government-financed shipments come to \$1.6 billion, down from \$1.7 billion.

During July-September 1965 (the first quarter of the fiscal year), U.S. agricultural exports reached \$1,492 million, up from \$1,394 million a year earlier. The most important gains were in feed grains and rice. But shipments of wheat, soybeans, dairy products, fruits, hides and skins, and vegetables were larger, too. Feed grain exports to the European Economic Community rose 85 percent over July-September 1964; those to Japan were 90 percent higher.

The most noticeable export decline was in cotton, down 41 percent. The EEC, Japan, India, the United Kingdom, and Canada took less. Smaller shipments also were noted for flaxseed, poultry, oilcake and meal, and animal fats and oils.

When export totals for all of 1965-66 are in, gains over last year are expected for corn, grain sorghums, wheat, tobacco, soybeans, fruits, variety meats, and hides and skins. Cotton, dried beans, vegetables, dairy products, lard, and beef and veal are likely to be down.

The Soviet Union has been buying wheat this fall on world markets, enhancing prospects for U.S. wheat exports to some other countries. In fiscal 1964-65, the USSR was a sizable importer of wheat after large buying the year before. In the first quarter of

1965-66, USSR purchases already nearly equaled those 2 years ago.

Wheat exports to Western Europe probably will be limited this year. Grain production in those countries rose in 1965. They are likely to buy only a small amount for blending.

The rise in agricultural exports this year comes on top of a steady gain since the early 1950's. The most important boost to foreign demand for our foods, fibers, and tobacco has been the continued economic growth in the main industrial countries of Western Europe, and in Japan and Canada. And, except for the United Kingdom, these countries have record foreign gold and dollar holdings, enabling them to buy more agricultural products.

The rapid rise in prosperity in industrial nations has given their people a taste for, and the money to buy, meat and other animal products. As a result, these countries have been buying more feed grains, soybeans, and protein meal, as well as other products.

In addition to the large sales for dollars to the industrialized nations, shipments of farm goods to less developed countries under Government programs are continuing. With rather stable food production and rapid population growth during the past year, the need for imports in the less developed countries will increase in 1965-66.

Export payments will be made again this year to enable several commodities to move into the world market at competitive prices. Such payments will be made for cotton, wheat, rice, dairy products, poultry meat, and flaxseed.

Some more promoting of U.S. agricultural products abroad is also in the works. Product demonstrations, trade fairs, trade centers, and technical assistance in marketing U.S. products will be used. USDA cooperates with some 50 U.S. trade and farm groups to develop foreign markets for nearly all major farm commodities. Market promotion is going on in 67 countries.

Robert L. Tontz

Dewain H. Rahe

Economic Research Service

THE FARMWIFE

The following items, of interest to homemakers, are excerpts from speeches at the 43d Annual Outlook Conference held in Washington November 15-18.

Family Incomes:

What happens when the wife or other members of the family go to work to provide extra income? The most obvious change is a larger family income. A recent study of urban families revealed that family income after taxes averaged \$6,570 with one full-time earner, \$8,900 with two, and \$11,840 with three or more.

The next most obvious change is in spending. As might be expected, among families at the same income level, the outlay for food bought and eaten away from home was higher when there were two fulltime earners in place of one. Studies in Ohio and North Carolina revealed that working wives spent an average of \$80 a year for meals and snacks at work. But two-earner families spent a little less for food at home than did one-earners. (However, two-earner families were smaller so they spent more per family member.)

The amount spent for shelter, including rent or ownership costs plus fuel and utilities, was somewhat lower for families with two, rather than one, full-time worker, but about the same income. Spending for home furnishings and equipment was much the same. This is probably because most families don't depend on the wife working permanently and base their spending for housing on the husband's income.

Clothing, clothing materials, and clothing services (drycleaning and the like) took a larger slice of the income in two-earner families than in one-earner families. And spending per person was higher, too. In some cases, working wives need special clothing for the job. They also lack time for sewing and mending and may choose more expensive clothing than they would if they didn't work.

Housing:

If you're building, remodeling, or re-furnishing your home, you may be

interested in a variety of new or relatively new products and materials on the market. Here are a few examples:

Exterior wall finishes—Siding or shutters of solid vinyl in colors that permeate the material. Aluminum siding with a textured or embossed finish.

Roofs and gutters—A roofing compound that is sprayed, painted, or rolled on and dries to a water-proof weather-resistant film. Gutters of solid vinyl that require no painting.

Interior wall finishes—Transparent vinyl as a protective film for real fabrics used as wall coverings. Mosaic tile wallpaper that can be rolled on over an adhesive.

Flooring—Synthetic flooring materials that resemble flagstone and cobblestone, and wood-grained patterns that come in plank-like strips.

Heating—Radiant heating for ceilings, consisting of flexible outer layers of vinyl fabric over a wire mesh center section. The fabric is applied as a wallpaper and connected to the wiring system. A thin coat of plaster can be applied to the surface.

Household Furnishings:

Appliances and home furnishings are getting easier to care for—a real boon to the farmwife with 100 acres to disk in addition to the housework.

Manufacturers of kitchen ranges are continuing their efforts to make stoves easier to clean. Easy-care features include removable teflon-coated panels or other removable oven liners; intense heat self-cleaning ovens; lift-off oven doors; top heating elements, cooking surfaces, and rack supports. (Some of the new ranges also feature programmed cooking, no-turn broilers, meat probes and the like.)

In the refrigerator line, frost-free boxes are generally available these days. Refrigerators with automatic ice makers also are more in demand.

In curtains, draperies, and bedspreads, the "durable press" for pleats, creases, and shapings is in the offing.

BUTTER PRODUCTION CONTINUES TO DECLINE

Once the leading use of U.S. milk supplies, butter has lost ground for more than 20 years as fluid milk use and other products gained. Total output has slipped from a peak of 2.4 billion pounds in 1933 to an estimated 1.4 billion in 1965. Still, a fourth of the milk supply goes into butter, and changes in the milk supply affect butter output more than any other dairy product.

Smaller output is due largely to declining commercial sales of creamery butter, especially at retail (because of competition from margarine), and to a steady reduction in output and use of farm-churned butter (because fewer farms keep milk cows).

Consumers just don't buy as much butter as they used to. Despite a steady increase in the population and consumer income, total civilian use of butter dropped from an average of 1.5 billion pounds in 1947-49 to 1.3 billion in 1964; the 1965 figure is put at 27 million pounds below 1964. Per capita consumption has fallen even faster.

Consumer substitution of margarine for butter isn't hard to figure. In 1964, the average price for butter was 2.8 times that for colored margarine. This price gap is wider than before World

War II when butter was about twice as expensive as uncolored margarine. But butter was adversely affected by price controls and rationing during World War II.

Another setback occurred in the early 1950's when Federal and most State laws limiting margarine distribution were repealed. Because of large supplies, butter prices have varied little since 1950, staying near the Government price support level most of the time.

In recent years, USDA has bought large amounts of butter to support farm milk and butterfat prices. Even though USDA usually donated most of these supplies to domestic users, the decline in overall use has persisted.

USDA began buying butter for domestic donations as far back as 1933. These purchases continued until 1941. The heavy wartime and postwar demand subsided in 1949.

Under the postwar price support program USDA donated butter in 1949, 1950, and in each year since 1952, for use in schools and other eligible institutions, and for use by needy families. USDA also has donated butter for similar use in other countries, but domestic donations have priority.

More Cash for Dairy Advertising

"Drink milk, nature's most perfect food," says the poster, the TV, the radio, the newspaper. All this kind of advertising really adds up. Dairy corporations spent \$153 million for advertising and promotion in 1962, up from \$42 million in 1947. And groups such as commissions, councils, and boards spent an additional \$23 million in 1962.

But dairy groups and corporations marketing dairy foods aren't the only agri-businesses putting money into advertising. Nearly all the major food industries have greatly increased their promotional outlays since World War II.

As a percentage of gross sales, the cost of advertising the products of dairy corporations (not all of them dairy foods) is less than 2 percent of sales.

This is well below the 6 to 7 percent spent for beverages such as beer and soft drinks.

Nutritional qualities are a primary basis for consumption of dairy products. "Impulse" buying of most such products is rather low. But, most dairy advertising emphasizes items such as cottage cheese, half and half, sour cream, and modified skim milk. These usually account for a rather small share of total sales but return a larger profit per unit to handlers than whole milk.

However, dairy producers pay for the largest share of the advertising by promotion groups, so the activities of these groups, such as merchandising, public relations, trade relations, and consumer education, emphasize fluid milk.

Turkey Contracting More Common

Contracts, agreements, or other arrangements between growers and hatcheries or poultry supply firms are almost as common in the turkey industry nowadays as the birds.

Information obtained with a 1962 referendum on a proposed turkey marketing order showed that about 25 percent of production was under risk-sharing contract. However, the percentage varied among regions: The West had 39 percent; the South Atlantic 36 percent; the South Central Region 34 percent; and the North Atlantic 4 percent.

A recent survey of 53 feed and other supply firms in leading turkey-producing areas revealed examples of integration in all stages of production and

marketing. More feed businesses had contracts with growers, although all types of firms did some contracting for production. Regional and national feed firms had the largest average number of turkeys grown under contract. But in some instances, local businesses had the largest individual operations.

Risk-sharing contracts used by the firms fell into three categories: Sharing of profits; guarantee of a minimum payment to the producer with sharing of profits; and guarantee of a flat minimum payment. Some of the minimum-payment plans also included incentive payments to encourage efficiency. In recent years, the guarantee-plus-incentive plans have become more common and the profit-sharing contracts less so.

PREDICTING TURKEY PRICES

Turkey is still the traditional main dish during the holidays, but it's up against stiff competition from chicken and red meats at other times of the year. That's one indication from a recent study of turkey prices in 1955-64.

The study shows that farm turkey prices during the holiday marketing season (September-December) are affected more by changes in turkey supplies than during the rest of the year. Analysis revealed that, with no change in other factors, a 10 percent rise in per capita supplies of turkeys resulted in a 17 percent drop in price during September-December, in contrast to a 7 percent decline during January-August. Similarly, a 10 percent gain in chicken supplies during January-August resulted in an 8 percent cut in turkey prices during this period.

Turkey prices in the main marketing period of September-December were also found to be affected by year-to-year changes in per capita consumption of all poultry products in the preceding January-August. A 1-pound gain in consumption in January-August tends to cut prices in September-December by about 12 percent. This suggests that use of more poultry products per person in the first part of the year tends to weaken demand for turkey during the holiday season. However, the level of per capita chicken supplies

during September-December doesn't have a measurable effect on turkey prices. The level of poultry consumption prior to the holidays—together with per capita turkey supplies—explained nearly all of the variation in prices in main marketing periods.

Expected farm prices for turkey were figured for 1955-64, using relationships developed in the study. Prices for the September-December periods came out within a cent of actual prices.

The expected price for September-December 1965 was also derived. However, the actual price will be off more than a cent due to unusual circumstances. First, there has been a substantial reduction in competition from red meats, particularly pork, in 1965. Also, there has been a larger than usual gain in consumer income.

Price estimates for the January-August periods were within 1 cent of actual prices in 7 of the 10 years analyzed. The predicted price for January-August 1965 was 20.9 cents, compared with the actual value of 22.4 cents. If turkey and chicken supplies gain 10 percent or more in January-August 1966, as now expected, turkey prices would be more than 2 cents below a year earlier.

Herman Bluestone
Economic Research Service

POTATO PATTERN . . .

The Changeable Vegetable

Potatoes might well be dubbed the chameleon of the vegetable industry. All kinds of changes in the marketing and use of potatoes have taken place—some recently, others over a period of years.

A more noticeable change has been the increasing share of the total crop sold. Just before World War II, about two-thirds of the annual crop was sold—the rest was used for food, livestock feed, and seed on producers' farms. But as potato production became more of a specialized enterprise, sales became more important. By the early 1950's, sales accounted for 83 percent of production. In 1964, they took 90.3 percent.

The rising emphasis on commercial potato growing also was reflected in seed use. In the late 1930's, most producers planted seed carried over from their previous year's harvest. Only a little over a third of the potato seed was purchased. Now the ratio is reversed—producers buy two-thirds of their seed.

Just as big a switch has come about recently in potato food processing. Until the early 1950's, use of potatoes in processed food products other than chips was small.

Then, processed potatoes began to come into their own. Several new forms were introduced, and others that had been around began to catch on. As a result, food processors used 66.4 million hundredweight of potatoes in 1964, a record and 167 percent of the amount processed in 1956.

Although the newer dehydrated and frozen potatoes have shown the most spectacular gains in processing, the old standbys—potato chips and canned items—have gained substantially, too. Chips, together with shoestring potatoes, still account for the largest share of processed potatoes. The 28.8 million hundredweight used in 1964 was nearly double the 1956 figure.

The second leading use of potatoes in 1964 was for freezing, at 23.6 million hundredweight. This use was up fivefold from that in the mid-fifties.

Dehydrated products accounted for 10.8 million hundredweight, was threefold.

Canned potatoes accounted for 3.2 million hundredweight, put up plain or in hash, stews, and soups. The 1964 figure was 40 percent larger than the volume used by canners in 1956.

Until 1962, the persistent drop in use of potatoes in farm households was about offset by larger sales to fresh markets. As a result, total use for fresh food remained fairly stable despite the gain in processing. Since then, both farm household use and tablestock sales of fresh potatoes have declined. Total fresh use in 1964, at 131 million hundredweight, was down 15 percent from 1956.

The changes in potato processing are reflected in per capita consumption figures. Since 1950, overall use of potatoes per person has held within a range of 102 to 112 pounds annually. However, processed potatoes have been cutting into the share held by fresh potatoes. Fresh potatoes still are more important in the average American diet, but they now account for about 68 percent of the total eaten per person compared with 94 percent in 1950.

Donald S. Kuryloski
Economic Research Service

Sweet Stuff . . .

The honey crop this year is expected to be almost as large as last year's. It's currently estimated at 283 million pounds, about 1 percent below the 1964 total.

The 1965 yield of honey is expected to average 50.9 pounds per colony, the same as last year. The number of colonies this year was estimated at 5,558,000 on July 1, a decrease of 1 percent from 1964.

California, the largest honey producing State in the Nation, has yields and production well above 1964 levels this year.

Stocks of honey on hand on September 15 totaled 102 million pounds compared with 105 million pounds a year earlier.

Statistical Reporting Service

SOYBEAN PROCESSING CAPACITY

Rapid growth in soybean production; sharply higher demand for soybean products . . . Together they have helped create a large gain in soybean processing capacity.

It has about doubled since 1951, rising from 310 million bushels to about 600 million estimated for 1965. This exceeds the large gain in actual soybean crushings—from 244 million bushels in 1951 to 515 million estimated for 1965.

Behind the gain in capacity is the sharply reduced number of plants (from 193 in 1951 to 124 in 1965). But average annual volume per mill has increased around 225 percent—from 1.3 million bushels in 1951 to 4.2 million in 1965.

The rise in volume per mill occurred as old plants were enlarged and modernized, and new, more efficient plants were built. Nearly all of these plants installed solvent processing equipment rather than the older less efficient mechanical crushers.

The cost savings in switching to large solvent extraction plants along with the advent of mixed feed-crushing operation has been considerable. The average processor's margin per bushel of beans has been cut from 27 cents in 1950 to only 7 cents in 1964. Nearly all the soybeans crushed nowadays are processed by solvent extraction.

In addition, the solvent extraction equipment is more versatile. More than one kind of oilseed can be handled, cutting plants' idle time and reducing operating costs.

Soybean crushing results in rather constant proportions of oil and meal. A 60-pound bushel yields, on the average, about 11 pounds of crude oil and 47 to 48 pounds of meal.

Soybeans are lower in oil content and higher in protein than other sources of vegetable oil. Yields of meal—a rough gauge of protein content—tell the story. Per unit processed, soybeans yield about 79 percent meal, linseed 66 percent, cottonseed 47 percent, peanuts (farmers' stock) 43 percent, and copra 35 percent.

This protein advantage has had much influence in the expansion of soybean exports. And as exports have risen, the share of the crop processed in this country has declined. Back in 1953, the United States processed about 81 percent of the 269-million-bushel crop, exported 15 percent as beans, and used the rest for seed. Since then, the gain in export volume has doubled the increase in domestic crushings. In 1965, an estimated 60 percent of the 853-million-bushel crop will be processed; 27 percent will be exported as beans.

George W. Kromer
Economic Research Service

New Farm Act Affects Wool

In the news reports on the new Food and Agriculture Act, an important amendment on wool has often been left out. The act amends the National Wool Act of 1954 for the 1966-69 period. The principal change from the previous law is a new method of determining the incentive price for shorn wool.

Here is how the incentive price for each marketing year will be determined: 62 cents is multiplied by a ratio, which is derived by dividing the average of the parity index for the 3 calendar years preceding the calendar year in which the price support is determined by the average parity index which existed in 1958, 1959, and 1960.

To illustrate how the formula works, the parity index for 1958, 1959, and 1960 averaged 297.3. The average for the 3 most recent years (1962, 1963, and 1964) was 310.7. Thus, the ratio is 104.5. On this basis, the support price would be 65 cents a pound for 1966.

The shorn wool incentive level for the 1965 marketing year was 62 cents a pound, grease basis. This was the same as in all years since 1955 when the National Wool Act took effect.

If the national average price for wool in the 1966-69 marketing years falls below the incentive rate, payments will be made to producers to help make up the difference.

MEDICARE FOR FARMERS . . .

Many Are Old Enough To Benefit

Next July 1 should be a red-letter date for many Americans, and especially farm people. That's when the new Medicare program goes into effect. Compared to the nonfarm population, a higher proportion of farm people are 65 or older, or are in the 55- to 64-year-old group that soon will retire.

Medicare also is very important to farm folks because they are less likely than others to have private hospitalization insurance. The National Center for Health Statistics estimates that 41 percent of farmers 65 and older have hospitalization insurance. About 58 percent of the urban and 47 percent of the rural nonfarm people in the same age group have such coverage.

The new law sets up two coordinated health-insurance plans. One is a basic plan to help pay for hospital and related care. The other is a voluntary supplemental plan to help pay for doctors' services and other medical and health care. Neither plan requires a physical exam for enrollment, and no one is disqualified by earlier illnesses. The law also expands the Kerr-Mills medical-assistance plan and child-health programs.

The basic plan covers certain hospital and related costs for nearly all people 65 and older. There are four types of coverage:

—*Hospitalization (inpatient)*. Hospital services are covered for up to 90 days in an illness. During the first 60 days of hospital care, the patient will pay the first \$40, the program will pay the rest. During the remaining 30 days, the patient will pay \$10 of the cost each day and the program the rest. Payment for inpatient psychiatric hospital care has a 190-day lifetime limit.

—*Posthospital extended care*. This part of the program, which begins January 1, 1967, pays for up to 100 days of care in a "spell" of illness. The program pays for the first 20 days of care (in a facility such as a qualified nursing home) following a 3-day or longer stay in a hospital. If more than 20 days of care are needed during the

illness, the patient will pay \$5 per day for up to 80 days.

—*Outpatient hospital diagnostic services*. The patient pays the first \$20 during a 20-day period. The program pays 80 percent of the costs above that.

—*Posthospital health care at home*. The program will pay the bills for up to 100 health-care visits to the patient's home for a year following discharge from a hospital or extended-care facility after a stay of 3 or more days.

The voluntary medical insurance plan provides for doctors' services and other medical and health needs for persons 65 and older. These benefits supplement the basic plan. Individuals who enroll will pay a premium of \$3 per month which can be deducted from their monthly social security benefits. The Government will match this.

Under the plan, the first \$50 of annual costs of medical and health services will be paid by the patient. The plan then will cover 80 percent of his bill for the rest of the year. The following benefits are included:

—Physicians' and surgeons' services in a hospital, clinic, office, or at home or elsewhere.

—Treatment of mental, psychoneurotic, and personality disorders outside a hospital. (This will be limited to \$250, or 50 percent of an individual's annual expenses, whichever is smaller.)

—Home health services for up to 100 visits each year.

—Additional medical and health services, either in or out of a medical institution: Diagnostic tests (such as X-rays, laboratory tests, and electrocardiograms); therapy (X-rays, radium, and radioactive isotope); limited ambulance services; surgical dressings, rental of medical equipment (such as iron lungs), prosthetic devices (except dental) which replace or partly replace an internal organ; and braces and artificial legs and the like.

Lawrence A. Jones
Edward I. Reinsel
Economic Research Service

RETIREMENT . . . SOCIAL SECURITY HELPS

Not so many years ago, farmers who retired or became disabled depended upon income from their earlier savings and investments. Some who had been unable to save were forced to live out their days with little or no income. Now, most farmers can look forward to receiving social security retirement or disability benefits.

In 1955, farm operators were first covered by social security. That year some 2.1 million people who earned a minimum of \$400 from self-employment in agriculture paid social security taxes. By 1962, about 3.4 million people paid social security taxes on farm income.

A breakdown by age group sheds even more light on the degree of participation in social security. Ninety percent of farm people born before 1890, and well over 80 percent of those born in 1890-99, filed social security tax returns for 1955 or 1956. Most in these groups quickly became eligible for benefits. However, many, including some who were receiving benefits, still reported farm earnings in 1961.

Younger age groups were smaller than the older age groups. This suggests that more older people retire from farming than are replaced by young people who start farming.

As a group, farm people have received a large share of social security benefits in relation to the amount of their taxes. This is largely because coverage began for many when they were near retirement age. Nearly 90 percent of the 1.2 million farm residents eligible for social security payments at the end of 1962 had retired. Of the rest, 8.5 percent were dead and 1.7 percent disabled. Assuming the minimum monthly benefits, these people and their dependents received at least \$500 million in 1961. A more realistic figure is near \$780 million.

However, the social security benefits received were partly offset by taxes paid by all farm people, including retired persons with supplemental incomes. Social security taxes paid by self-employed farm people during 1961 came to about \$240 million. Of this, about \$187 million was paid on self-employment income, the rest on wages.

Urban Fringe . . . Unravels in Country

Don't look now but there may be a subdivision mushrooming on your back 40. It's happened to quite a few farmers in the past few years. As a result, many farm people are becoming more and more concerned about urban expansion and what usually accompanies it—rapidly rising property taxes.

Taxes on farm real estate in urban counties average more than 2½ times the rate per acre in counties adjacent to metropolitan areas. And they are more than 5 times as high as those in rural counties. About a fourth of the levies on farm real estate originate in metropolitan areas.

A number of solutions for temporary tax relief for farmers on the edge of metropolitan areas have been proposed and some are already in effect. The approach in Houston, Tex., is to annex the unincorporated areas beyond the city boundaries. Through annexation,

Houston expanded from 73 square miles in 1940 to 350 square miles in 1960.

By annexing these large areas of land in relatively early stages of urban development, the city relieved the county government of the need to provide services financed by property taxes. The annexations apparently had little effect on Houston's expenditures, except for highways and sanitation. So farmers benefited; property taxes didn't rise nearly so fast as they did when the county government was in charge.

Despite annexation, farmers directly in the path of urban growth—along major highways, for example—are still likely to pay higher and higher taxes. Such land will tend to reflect its value as a building site. And as new homes and factories are built, taxes will rise in order to finance the necessary public services. Preferential assessment is likely the only existing tax approach that will help over long periods.

MEET THE STATE STATISTICIAN . . .



PENNSYLVANIA

Some men enjoy being called mister. Dewey Boster, on the other hand, seems to enjoy the sincerity and comfort of first name relationships, whether he is talking to Pennsylvania's Secretary of Agriculture, or one of his prized friends, the crop reporters.

Dewey approaches the tasks of a State statistician with the energy of one new to the job, rather than a veteran of 23 years. A lover of innovation, he is always ready to adopt a better method or new idea.

As for statistics: "Just tools of the trade," says Dewey. "Figures fall into two classifications—useful and not useful. We try to avoid the latter."

Dewey's regard for only the most useful reflects a man who places priorities on time and effort for himself and his staff. But then, he learned to be thrifty at an early age, when time was not nearly as important as food and clothing. Born in Indian Territory 8 years before it became the State of Oklahoma, he found that farming provided the

DEWEY BOSTER

"slimmest of pickens" for his parents and himself.

His wife, Vera, and he grew up near the same little town of Holdenville. They married while attending what is now Oklahoma State University. Both later were graduated from the State Teacher's College at Ada, Okla.

Dewey's career in teaching lasted 8 years, during which time he became a high school principal. In 1930, he read of a job in crop and livestock estimates and applied. Senator Elmer Thomas of Oklahoma encouraged him to follow up the opportunity, and 4 years later he was appointed a junior crop and livestock estimator in Louisville, Ky. Later he worked in Montgomery, Ala., and in Orlando, Fla., before becoming statistician in charge in New Jersey in 1941, where he spent 11 years. This year marks his twelfth anniversary as statistician in charge in Pennsylvania.

A Superior Service Award was presented to Dewey in 1960 for the efficient job he and his staff were doing in Pennsylvania. Although proud of this, Dewey feels that the diversified and fascinating agriculture of Pennsylvania makes it a prize-winning State for a man in his business.

He likes to point to Pennsylvania firsts as:

- First in volume of quality eggs State-graded for retail market.
- First in production of cigar leaf tobacco.
- First in mushroom production, supplying almost 60 percent of the U.S. total . . .

Evidently Dewey's son, Charles, 26, thinks highly of Pennsylvania agriculture, too. He is an agricultural consultant to the Governor's State Planning Board.

1965 APPLE CROP

SLIGHTLY SMALLER

The Nation's 1965 commercial apple crop totaled 135.7 million bushels. This is 3 percent below the 1964 crop but 11 percent higher than the 1959-63 average. (These estimates include quantities of mature apples left unharvested because of labor shortages, low prices, or other economic reasons. Roughly 2 percent of the 1965 crop was left unharvested compared with 1.2 percent of the 1964 crop.)

In the Eastern States, the crop totaled 67.8 million bushels, up 6 percent from 1964. Production for the Central States totaled 28.8 million bushels, or 7 percent less. The Western States crop amounted to 39.1 million bushels, 12 percent below 1964.

Washington was the leading State in 1965 with 24.0 million bushels, followed by New York with 23.5 million. Michigan ranked third with 16.0 million bushels. Pennsylvania and Virginia were fourth and fifth with crops of 11.0 and 10.5 million bushels. These five States accounted for 63 percent of the Nation's 1965 crop.

Red Delicious was the leading variety, accounting for a fourth of total production. Other leading varieties and their share of the total crop were: McIntosh, 14 percent; Golden Delicious, 9 percent; Rome Beauty, 8 percent; and Jonathan, 7 percent. These five varieties accounted for 62 percent of the national crop.

Eighty-seven percent of this year's crop was winter varieties compared with 86 percent in 1964. Production of Delicious and Rome Beauty, leading winter varieties, was smaller this year than last. The crops of McIntosh and Golden Delicious were larger.

Fall varieties accounted for 10 percent of both the 1964 and 1965 crops. Production of Jonathans rose this year while the other important varieties declined.

Summer varieties were 3 percent of 1965 production compared with 4 percent in 1964. A short crop of Gravensteins in California caused the drop in production of summer apples.

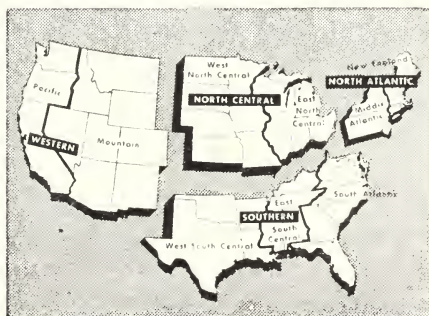
Earl L. Park
Statistical Reporting Service

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